

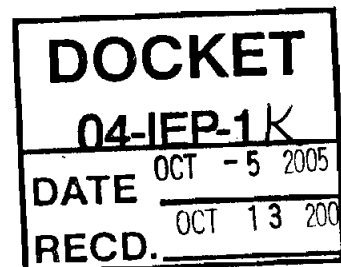


**SAN DIEGO  
REGIONAL  
CHAMBER OF  
COMMERCE**

**EMERALD PLAZA**  
402 West Broadway, Suite 1000  
San Diego, California 92101-3585  
Tel 619.544.1300  
www.sdchamber.org

October 5, 2005

Mr. Joseph Desmond  
Chair, California Energy Commission  
1516 Ninth Street, MS-32  
Sacramento, CA 95814



**RE: Draft Integrated Energy Policy Report (IEPR)**

Dear Mr. Desmond:

The San Diego Regional Chamber of Commerce supports the California Energy Commission's (CEC) 2005 Draft Integrated Energy Policy Report (IEPR). Policies that invite competition among energy suppliers and advocate customer choice, as well as provide for fuel and energy supply diversification are critical to the success of not only the energy market, but also to the success of a vibrant business climate. Following are comments on the draft IEPR for your review and consideration at the upcoming draft IEPR hearings.

The 2005 draft IEPR's attention to distributed generation is encouraging. The Chamber supports the use of cost-effective cogeneration, combined heat and power (CHP) and alternative energy solutions. California currently has 2,500 MW of small-scale distributed generation in the state and 9,000 MW of CHP projects. Streamlining regulations for interconnecting and operating distributed generation is a necessary step toward moving this technology forward. Self-generation will invite innovation, which can result in creative and cost effective solutions for business, while serving all California ratepayers in the form of additional capacity, peak load energy reduction and better utilization of the distribution and transmission systems.

Creating an open, transparent market that includes core and non-core options for all customer classes will benefit California ratepayers. It will allow energy consumers to choose their Energy Service Provider, and not restrict them to the current structure where there are few, if any, choices. The statement "...policy decisions such as the suspension of direct access hamper the ability to sell excess power to customers" in the IEPR is key to renewing discussions about providing retail choice to all ratepayers. Allowing all ratepayers to control their future energy costs through choice will ultimately provide an improved climate that encourages businesses to locate in or remain in California.

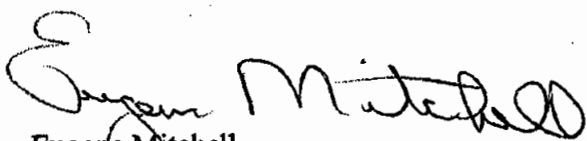
It is significant that the draft IEPR addresses the current transmission constraints in California, especially in the San Diego region. Access to renewable energy is vital for all Load Serving Entities (LSEs) in order to meet the new and proposed California

Renewable Portfolio Standards (RPS). In addition, transmission is necessary for grid reliability in San Diego, which is critical to our biotech and electronics manufacturing businesses. The cost of transmission congestion in the IEPR is staggering, and while recent grid reinforcements such as the second Mission-Miguel line will mitigate some of these costs, it is critical that we proactively address a process to add transmission in a reasonable timeframe to avoid additional costs in the future. Additional transmission infrastructure will also provide access to the nearly 38 Gigawatts of new gas fired generation that has been added to the West in the last four years. Finally, a new transmission corridor planning process is a forward thinking, positive step that will minimize impact to communities, allow long term regional planning, and help expedite the approval process for new transmission lines.

Cognizant of the deregulated natural gas market and the possibility of market fluctuations nationwide affecting California energy prices, especially in light of current events like hurricanes Katrina and Rita, the Chamber supports stabilization of the natural gas market to the extent that it can help site new supply. As shown in Figure 16 of the draft IEPR, future natural gas requirements can be met by imports of Liquefied Natural Gas (LNG). The Chamber supports proactively identifying sites for receiving terminals. Because we are "at the end of the line", San Diego represents a strategic location for new LNG terminals to offset and augment natural gas supplies to California.

In conclusion, each chapter of the 2005 IEPR provides sound direction to policy makers and utilities for the next year. The Chamber believes that the 2005 IEPR should be certified, and that tangible strides need to be made to implement the directives of the document, especially regarding the aforementioned sections. We support the CEC's efforts and look forward to being an active participant in the process of moving California's energy market to a more open, reliable, cost effective and competitive environment.

Sincerely,



Eugene Mitchell  
Vice President, Public Policy and Communications

Cc: CEC commissioners and staff

EM:jp